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October 11, 2013

ORIGINAL

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Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

2013 OCT 11 A 8:10

AZ CORP COMMISSION
DOCKET CONTROL

RE: Docket Nos: W-03514A-13-0111 and W-03514A-13-0142 (consolidated)

Dear Commissioners:

Attached to this letter are two documents obtained yesterday from the Town of Payson under my Freedom of Information Act (FOIA) request:

- 1) Administrative Policy - Water Department and Administrative Policy - Mesa del Caballo Supplemental Water Supply. Effective Date: February 2010
- 2) Resolution No. 2697, passed and adopted by the Mayor and Common Council of the Town of Payson on 12/13/2012.

Please include this evidence in your consideration of the Phase 1 portion of the case before you.

Thank you.

Sincerely,

Kathleen M. Reidhead
14406 S. Cholla Canyon Dr. (Mailing Address)
Phoenix, AZ 85044

Arizona Corporation Commission
DOCKETED

OCT 11 2013

DOCKETED BY	
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REFERENCE: Deer Creek Village - Lot 86
198 S. Four Peaks Rd.
Payson, AZ 85541



Administrative Policy
WATER DEPARTMENT
Department – 600

Effective Date:

February, 2010

Revised Date:

YYYY

Providing Temporary Water Service Outside of the Town Limits

Summary

On occasion, the Town of Payson Water Department receives a request for temporary water service outside of the Town limits. The service can be in the form of making Payson public water system water supply available for transport by truck, pipeline or vehicle for use outside of the Payson town limits. Such occasions may be defined as a shortage of water supply to an individual or community, fire suppression, construction activities, etc. Generally, time is of the essence when dealing with these requests and it would not be practical to wait to submit the request to the Town Council for the development of a formal agreement or denial of the request so the request should be handled administratively by the Water Superintendent with notification to the Public Works Director at the time of decision on the request.

Definitions

N/A

Process

When water service is requested for use outside the Town limits the following shall be considered before service is established for that use.

1. Does the intended use of the temporary water service meet with the approval of the Salt River Project pursuant to terms of the terms of the "WATER RIGHTS TRANSFER, AND USE AGREEMENT AMONG SALT RIVER VALLEY WATER USERS' ASSOCIATION, SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND TOWN OF PAYSON"?
2. Does the intended use provide for the protection of the public health and welfare?
3. Is the intended use consistent with or similar to Town of Payson water use restrictions in effect at the time of Delivery of the water service?
4. Does the intended use further the Town of Payson's goal of maximum utilization of CC Cragin Reservoir surface water supply now or in the future?
5. Is the intended use for a period not to exceed 180 days consecutive?
6. Is the intended use of water consistent with applicable law?

If the answer to all of the above is "Yes", then water service may be allowed on a case by case basis. Conditions to be considered before allowing such service to begin are:



Administrative Policy
WATER DEPARTMENT
Department – 600

Effective Date:

February, 2010

Revised Date:

YYYYY

1. Will the amount of water provided on a daily basis combined with the anticipated the maximum daily water demand of the customers of the Payson public water system exceed the actual water production capacity of the Payson public water system?
2. Will the intended use of the water violate Town of Payson Water Department policies?
3. Is there a strong potential for misuse by the recipient or non-payment to the Town for
4. Is there an alternate water supply reasonably available for the intended use?

If the answer to all of the above is "No", then water service may be provided subject to discontinuance by the Payson Water Department at any time for any reason.

References

N/A



Administrative Policy
MESA DEL CABALLO SUPPLEMENTAL
WATER SUPPLY
Water Department – A606mcd

Effective Date:

Feb, 2010

Revised Date:

SUPPLEMENTAL WATER SUPPLY TO MESA DEL CABALLO SUBDIVISION

Summary

The Brooke Utilities, Inc. water company that provides public water service to its customers in the Mesa del Caballo subdivision approximately one mile north of the Payson town limits has requested that the Town of Payson provide access to seasonal water supply from the Town of Payson. This supply is needed to prevent frequent summertime water shortages within the subdivision due to the effects of drought on the company's groundwater wells located throughout the subdivision. The company has expressed interest in working with the Town of Payson on utilization of the Town's proposed CC Cragin water pipeline and water treatment plant as a new source of water supply for the subdivision and an answer to the subdivisions chronic water supply problem. It is the intent of the Town of Payson to work with outlying communities adjacent or near to the proposed pipeline for development of adequate water supplies for those communities.

Process

The process of working with Brooke Utilities, Inc. for the establishment of an adequate water supply for the Mesa Del Caballo subdivision consists of four phases.

Phase One involves the Town of Payson providing up to 86,400 gallons per day of potable water for use by public water system customers within the Mesa del Caballo subdivision. The Payson Water Department will make the water available within the Payson town limits at a point on E. Houston Mesa Road approximately 1,000 feet east of State Route 87. Brooke Utilities will be responsible for transporting the water to their water production facilities with the Mesa del Caballo subdivision.

Some restrictions apply to this water service:

1. Water supply can be discontinued by the Payson Water Department at any time.
2. Temporary service pursuant to this policy is a prelude to permanent water service to the Mesa del Caballo subdivision by use of CC Cragin Reservoir surface water supply delivered to the community via the proposed Payson pipeline and/or Payson Water Treatment Plant.
3. Temporary service pursuant to this policy is subject to progress between the Salt River Project and Brooke Utilities, Inc. on the use of CC Cragin Reservoir water supply for the Mesa del Caballo subdivision and on progress between Brooke Utilities, Inc. and the Town



Administrative Policy
MESA DEL CABALLO SUPPLEMENTAL
WATER SUPPLY
Water Department – A606mcd

Effective Date:

Feb, 2010

Revised Date:

of Payson for use of Payson's CC Cragin Reservoir pipeline and/or water treatment plant for the benefit of the Mesa del Caballo subdivision.

4. Brooke Utilities must install and maintain a backflow preventer on any connection to Payson Water Department facilities.
5. Water use by Mesa del Caballo residents subject to the same restrictions as Payson Water Department customers whenever water is being supplied by the Town of Payson to the subdivision unless more stringent water restrictions are imposed by Brooke Utilities or as allowed by the Arizona Corporation Commission.
6. Water supplied under this agreement is subject to the then-existing water rates of the Payson Water Department.
7. Payson Water Department assumes no liability for the quality of any water provided after it leaves the Payson public water system facilities.
8. Brooke Utilities to maintain chlorine residual in Mesa del Caballo public water system while receiving Payson water supply.

Phase Two is agreement between the Salt River Project and Brooke Utilities, Inc. for the use of CC Cragin Reservoir surface water in Mesa del Caballo subdivision.

Phase Three is agreement between the Town of Payson and Brooke Utilities, Inc. for use of Payson's proposed pipeline and/or water treatment plant for service to Mesa del Caballo subdivision.

Phase Four is delivery by Town of Payson of CC Cragin Reservoir water, treated or un-treated, To Mesa del Caballo subdivision.

References

Brooke letter of 4-07-08 stating Brooke's desire to participate in CC Cragin project.
Brooke letter of 2-04-10 requesting seasonal water service to Mesa del Caballo.

RESOLUTION NO. 2697

A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF PAYSON, ARIZONA, APPROVING AND AUTHORIZING THE MAYOR TO EXECUTE THE WATER INFRASTRUCTURE CAPACITY SHARING AND WATER DELIVERY AGREEMENT FOR THE MESA DEL CABALLO WATER SYSTEM.

WHEREAS, Payson Water Company (a Public Service Corporation not affiliated with the Town of Payson) operates the Mesa Del Caballo water system ("the Water Company"); and

WHEREAS, the Water Company is in the process of obtaining a water right to water in the C.C. Cragin Reservoir; and

WHEREAS, one step in such process is entering into an agreement with the Town of Payson to treat and deliver such water from the C.C. Cragin Reservoir to the Mesa Del Caballo system; and

WHEREAS, as part of the agreement, the Water Company would pay a portion of the capital costs associated with the Town of Payson's C.C. Cragin pipeline and treatment plant; and

WHEREAS, the Water Company would also pay a monthly delivery and treatment charge; and

WHEREAS, the Town of Payson's ability to obtain, deliver, and treat its C.C. Cragin water right would not be diminished by providing such services to the Water Company,

NOW, THEREFORE, THE MAYOR AND COMMON COUNCIL OF THE TOWN OF PAYSON, ARIZONA, DO HEREBY RESOLVE AS FOLLOWS:

Section 1. That the Water Infrastructure Capacity Sharing and Water Delivery Agreement, attached hereto as Exhibit A, is approved in substantially the form attached.

Section 2. That Kenny J. Evans, Mayor of the Town of Payson, is authorized to execute the Agreement in substantially the form attached.

Section 3. That the Town of Payson is authorized to take such other and further actions as may be necessary or appropriate to carrying out the terms and intent of this Resolution and the Agreement.

PASSED AND ADOPTED BY THE MAYOR AND COMMON COUNCIL OF THE TOWN OF PAYSON, ARIZONA, this 13th day of December, 2012 by the following vote:


AYES 7 NOES 0 ABSTENTIONS 0 ABSENT 0

cc: Water
Town Manager
Brooke Utilit

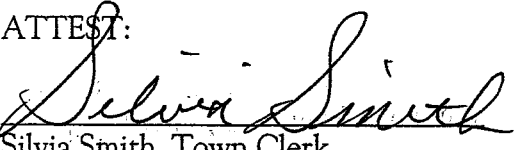
Page 1

DEC 13 2012 10:3*

220,84


Kenny J. Evans, Mayor

ATTEST:


Silvia Smith, Town Clerk

APPROVED AS TO FORM:

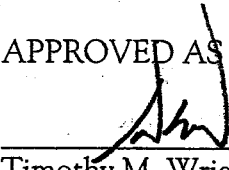

Timothy M. Wright, Town Attorney

Exhibit A to Resolution 2697

TOWN OF PAYSON
WATER INFRASTRUCTURE CAPACITY SHARING AND WATER DELIVERY
AGREEMENT
(TREATED WATER)
FOR THE MESA DEL CABALLO WATER SYSTEM

1. PARTIES.

The parties to this WATER INFRASTRUCTURE CAPACITY SHARING AGREEMENT (TREATED WATER) (this "Agreement") entered into as of the _____ day of _____, 2012, are the Town of Payson, an Arizona municipal corporation ("Town") and Payson Water Company, Inc., an Arizona public service corporation ("Participant"). The Town and Participant are sometimes referred to herein, individually, as a "Party" and, together, as the "Parties."

2. RECITALS. This Agreement is made with regard to the following:

2.1 The Town is a municipal corporation, which distributes water to customers within the Town Water Service Area located in northern Gila County.

2.2 In an effort to provide a more reliable water supply for the Town, the Town entered into the Payson/SRP Agreement with the SRP Parties.

2.3 Pursuant to the Payson/SRP Agreement:

2.3.1 The SRP Parties conveyed to the Town a portion of Certificate of Water Right No. 3696.0001 associated with the C.C. Cragin Reservoir for use in the Town Water Service Area. ADWR has issued a Final Decision approving the partial conveyance of Certificate of Water Right No. 3696.0001 to the Town, and ADWR has committed to issuing a

certificate of water right to the Town upon completion of the Payson Project and issuance of all necessary approvals for the Payson Project to be operational.

2.3.2 The SRP Parties agreed to deliver an annual amount of water stored in the C.C. Cragin Reservoir calculated as provided in the Payson/SRP Agreement (the "Payson Stored Water") from the C.C. Cragin Reservoir through the C.C. Cragin Project to the Payson/SRP Delivery Point.

2.4 To take delivery of the Payson Stored Water as part of the Town's municipal water supply, the Town intends to construct the Payson Project and the Payson Water Treatment Plant.

2.5 Participant is a regulated private water company that distributes water to customers within the Participant's Water Service Area. Currently, Participant relies exclusively on water withdrawn from groundwater wells to serve its customers. The long-term prospects of Participant developing additional wells is uncertain and has caused Participant to seek alternative water supplies to serve its customers.

2.6 In an effort to provide a more reliable water supply for Participant, Participant and the SRP Parties have previously entered into the Participant/SRP Agreement pertaining to the Participant Stored Water.

2.7 Pursuant to the Participant/SRP Agreement:

2.7.1 The SRP Parties will convey to Participant a portion of Certificate of Water Right No. 3696.0002 associated with the C.C. Cragin Reservoir for use in the Participant's Water Service Area. The SRP Parties and Participant will apply to ADWR for the issuance of a Certificate of Water Right to Participant when the Participant/SRP Agreement becomes effective.

2.7.2 The SRP Parties agreed to deliver an annual amount of water stored in the C.C. Cragin Reservoir calculated as provided in the Participant/SRP Agreement (the "Participant Stored Water") from the C.C. Cragin Reservoir through the C.C. Cragin Project to the Payson/SRP Delivery Point.

2.8 In an effort to provide a more reliable water supply for Participant, the Parties now desire to enter into this Agreement.

3. AGREEMENT.

In consideration of the mutual covenants herein set forth and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

4. DEFINITIONS.

The definitions used in this Agreement shall govern the interpretation of this Agreement only. As used in this Agreement, the following terms, when capitalized, mean:

4.1 ADWR: The Arizona Department of Water Resources, or its successor agency.

4.2 Authorized Representative(s): Representatives of the Parties appointed to administer certain provisions of this Agreement, pursuant to Paragraph 16.

4.3 C.C. Cragin Project: The C.C. Cragin Reservoir, consisting generally of C.C. Cragin Dam and all pipelines, tunnels, buildings, hydroelectric generating facilities, and other structures, equipment and machinery of every kind; and all real or personal property, appurtenant to or used, or constructed or otherwise acquired to be used, in connection with C.C. Cragin Reservoir.

4.4 C.C. Cragin Reservoir: The water storage reservoir situated in Coconino County, Arizona, previously known as the Blue Ridge Reservoir, owned by the United States Bureau of Reclamation and operated by SRP.

4.5 Capital Grants: Funds contributed by third parties for the payment of a portion of the Payson Project Construction Costs or the Payson Water Treatment Plant Construction Costs, or both, and that are in the nature of a grant or a donation. Funds that are loaned to the Town or that require repayment by the Town are not Capital Grants. Funds paid to the Town by a party that may receive water deliveries from the Payson Project are not Capital Grants. Commensurate with the execution of this Agreement, the Town shall disclose to Participant all Capital Grants received to date.

4.6 Certificate: The certificate of water right to be issued by ADWR to Participant associated with the C.C. Cragin Reservoir following approval of the severance and transfer of a portion of Certificate of Water Right 3696.0002 for use at the Participant Water Service Area.

4.7 Change in Regulation: Any change in, or modification or addition to the federal or state laws, rules and regulations applicable to the Payson Project or the Payson Water Treatment Plant or any components thereof, or the operation of the Payson Project or the Payson Water Treatment Plant or any component thereof.

4.8 Flow Measurement System: That primary water measurement device or method and detection device for the real-time monitoring of water installed by the Town in connection with the Payson Project pursuant to the Payson/SRP Agreement, as such may be modified or replaced as allowed under the Payson/SRP Agreement.

4.9 Notice of Construction Completion: A written notice delivered by the Town to Participant confirming that construction of the Payson Project and the Payson Water Treatment

Plant is complete, the facilities are operational and able to perform under the terms and conditions of this Agreement, and the Town has obtained all necessary approvals for the operation of the facilities.

4.10 Participant Delivery Point: That point of the Town's potable water delivery system where the Town will deliver the Participant Stored Water to Participant as shown on attached Exhibit 4.10.

4.11 Participant Maximum Annual Amount: The maximum amount of water that the Town is obligated to deliver and that Participant may take delivery of during an entire Water Year at the Participant Delivery Point. For each Water Year, the Participant Maximum Annual Amount shall equal A) the total amount of Participant Stored Water ordered by Participant from SRP for that Water Year, pursuant to the Participant/SRP Agreement, as adjusted pursuant to Subparagraphs 14.1.2, 14.1.3, 14.1.5; less B) an amount equal to the total amount of Participant Stored Water described in Subparagraph 4.11(A) for that Water Year multiplied by the Transmission Losses.

4.12 Participant Measurement System: A standard flow measurement system selected by the Town and approved by the SRP Parties for installation at the Participant Delivery Point configured to relevant industry standards for the real-time monitoring of water able to A) indicate a rate of flow for operation purposes, and B) produce a volume totalization for water accounting purposes.

4.13 Participant Stored Water Account: The account established and maintained by the Town under Paragraph 14, registering credits to and debits from the balance of the Participant Stored Water as ordered by the Participant from SRP during a Water Year.

4.14 Participant Water Service Area: The area shown on the map attached as Exhibit 4.14 where the Participant Stored Water may be used, which is the same as the Mesa del Caballo Water Service Area as defined in the Participant/SRP Agreement. The Participant Water Service Area may be amended from time to time by the Authorized Representatives, subject to the terms of the Participant/SRP Agreement, the terms of the Certificate, and approvals required by the Arizona Corporation Commission.

4.15 Participant/SRP Agreement: The Water Rights Transfer and Water Delivery and Use Agreement for the Mesa del Caballo Water System entered into on the 27th day of June, 2012, by and among Participant and the SRP Parties.

4.16 Payson Project: The water transmission system to be designed, constructed, owned and operated by the Town extending from the Payson/SRP Delivery Point to the Payson Water Treatment Plant, that will consist generally of an 18-inch diameter pipeline, siphons, tunnels, valves (including the Shut-Off Valve), pumps, meters, hydroelectric generation facilities, electrical and telemetry systems, water storage facilities, and other structures, equipment, materials and machinery of every kind, for the delivery of the Payson Stored Water from the Payson/SRP Delivery Point to the Payson Water Treatment Plant, including any expansions, alterations, additions and replacements to any of the above. The planned location and major planned components of the Payson Project are depicted on attached Exhibit 4.16.

4.17 Payson Project Construction Costs: Any and all costs and expenses incurred prior to the execution of this Agreement or incurred in the future by the Town in connection with the design, planning and construction of the Payson Project, including, without limitation, the costs and expenses of insurance, inspections, permits, taxes, fees, licenses, land and easement acquisition, engineering services, contract services, legal services, accounting, travel,

environmental compliance, repairs, testing, labor, salaries, overhead, materials, supplies, equipment purchase and rental, vehicles, energy, and fuel, ~~but excluding therefrom the costs of the hydroelectric generation facilities~~. An estimated budget of Payson Project Construction Costs is attached as Exhibit 4.17. As summarized on Exhibit 4.17, the Parties acknowledge and agree that the estimated Payson Project Construction Costs total \$15,801,015.00.

4.18 Payson Project Net Construction Costs: An amount equal to the Payson Project Construction Costs minus all Capital Grants received by the Town for payment of a portion of the Payson Project Construction Costs.

4.19 Payson/SRP Agreement: The Water Rights Transfer and Water Delivery and Use Agreement entered into on the 19th day of May, 2008, by and among the Town and the SRP Parties.

4.20 Payson/SRP Delivery Point: The point along the East Verde River where SRP delivers Payson Stored Water from the C. C. Cragin Project and commonly referred to as the power plant tailrace connection.

4.21 Payson Water Treatment Plant: The water treatment plant to be designed, constructed, owned and operated by the Town for the treatment of water delivered through the Payson Project, including water storage facilities, pipeline, valves and other water transmission facilities necessary to connect the Payson Water Treatment Plant to the existing Town potable water system, and other structures, equipment, materials and machinery of every kind, and including any expansions, alterations, additions and/or replacements to any of the above. The water treatment capacity of the Payson Water Treatment Plant is planned to be 3.62 million gallons per day. The planned location and major planned components of the Payson Water Treatment Plant are depicted on Exhibit 4.21.

4.22 Payson Water Treatment Plant Construction Costs: Any and all costs and expenses incurred prior to the execution of this Agreement or incurred in the future by the Town in connection with the design, planning and construction of the Payson Water Treatment Plant, including, without limitation, the costs and expenses of insurance, inspections, permits, taxes, fees, licenses, land and easement acquisition, engineering services, contract services, legal services, accounting, travel, environmental compliance, repairs, testing, labor, salaries, overhead, materials, supplies, equipment purchase and rental, vehicles, energy, and fuel. An estimated budget of Payson Water Treatment Plant Construction Costs is attached as Exhibit 4.22. As summarized on Exhibit 4.22, the Parties acknowledge and agree that the estimated Payson Water Treatment Plant Construction Costs total \$12,440,400.00.

4.23 Payson Water Treatment Plant Net Construction Costs: An amount equal to the Payson Water Treatment Plant Construction Costs minus all Capital Grants received by the Town for payment of a portion of the Payson Water Treatment Plant Construction Costs.

4.24 SRP Parties and SRP: The Salt River Project Agricultural Improvement and Power District and the Salt River Valley Water Users' Association.

4.25 Shut-Off Valve: The valve to be installed by the Town as part of the Payson Water Treatment Plant that will be located immediately adjacent to the Participant Delivery Point and that allows that Town to turn on and shut off water deliveries to the Participant Delivery Point.

4.26 Town Water Service Area: The area where Payson Stored Water may be used as described in the Payson/SRP Agreement, as may be amended from time to time, as provided in the Payson/SRP Agreement.

4.27 Transmission Losses: The percentage of the Participant Stored Water that is lost due to evaporation, seepage and leaks during the transmission of Participant Stored Water from the Payson/SRP Delivery Point to the Participant Delivery Point and the treatment of the Participant Stored Water at the Payson Water Treatment Plant, as such percentage may be modified by the Town as provided in Subparagraph 10.5. Together with the Notice of Construction Completion, the Town shall provide notice to the Participant of the Transmission Losses effective as of May 1 of the immediately-following Water Year. For the purposes of this Agreement, the Town will define Transmission Losses in the first year of operation of the Payson Project and the Payson Water Treatment Plant based on standard engineering calculations and not exceeding the results of those calculations.

4.28 Water Delivery Rate: A billing rate per thousand gallons of Participant Stored Water delivered to the Participant Delivery Point, as such rate is established by the Town and modified by the Town from time to time at its discretion pursuant to Subparagraph 15.3. As of the execution date of this Agreement, the estimated Water Delivery Rate is \$2.75 per thousand gallons.

4.29 Water Year: A period of twelve months commencing on May 1 of a year and continuing through April 30 of the following year.

5. SCOPE OF AGREEMENT

This Agreement shall encompass only the following services or arrangements between the Parties:

5.1 The delivery of the Participant Stored Water by the Town from the Payson/SRP Delivery Point to the Payson Water Treatment Plant.

5.2 The treatment of the Participant Stored Water at the Payson Water Treatment Plant.

5.3 The delivery of the Participant Stored Water by the Town from the Payson Water Treatment Plant to the Participant Delivery Point.

6. EFFECTIVE DATE AND TERM OF AGREEMENT.

6.1 This Agreement shall become effective upon execution by the Parties. Unless terminated pursuant to Subparagraph 6.2 or Subparagraph 6.3, this Agreement shall remain in effect in perpetuity.

6.2 This Agreement shall terminate automatically upon the termination of either the Payson/SRP Agreement or the Participant/SRP Agreement due to any circumstance.

6.3 This Agreement shall terminate automatically if ADWR determines, in a final nonappealable order, not to approve the severance and transfer of a portion of Certificate of Water Right No. 3696.0002 to Participant.

6.4 This Agreement shall terminate automatically upon the delivery by the Town of a termination notice pursuant to Subparagraph 10.2.

6A. ISSUANCE OF CERTIFICATE TO PARTICIPANT.

6A.1 Participant shall cooperate with the SRP Parties in filing and pursuing the application for the severance and transfer of a portion of Certificate of Water Right No. 3696.0002 to Participant through ADWR's administrative processes.

6A.2 Promptly following ADWR's issuance of the Certificate, Participant shall deliver a copy of the Certificate to the Town.

6A.3 In addition to all other conditions to the delivery of water under this Agreement, the Town's obligations to deliver water to Participant under this Agreement are expressly

conditioned on the issuance of the Certificate to Participant and the delivery of a copy of the Certificate to the Town. Participant acknowledges and agrees that the Town shall have no obligation whatsoever to deliver water to Participant under this Agreement until ADWR has issued the Certificate to Participant and Participant has delivered a copy of the Certificate to the Town.

7. Completion of Payson Project and Payson Water Treatment Plant.

7.1 Notwithstanding anything to the contrary contained herein, and subject to the terms and conditions of this Agreement, the Town's obligations to deliver the Participant Stored Water and to treat the Participant Stored Water shall commence on the first day of the Water Year following the last to occur of A) the Town's delivery of a Notice of Construction Completion to Participant; B) Participant's delivery to the Town of a copy of the Certificate; C) Participant's installation of the connection to the Payson Project and of the Participant Measuring System as required in Subparagraph 10.7; D) Participant's payment of the amounts due under Subparagraphs 15.1.1, 15.1.2, 15.1.3, and 15.1.4; and E) Participant's compliance with all other obligations under this Agreement.

7.2 The Town shall have the right, in its sole discretion, to make all decisions pertaining to the construction of the Payson Project and the Payson Water Treatment Plant, including, without limitation, approving plans and specifications for the Payson Project and the Payson Water Treatment Plant; approving a budget and financing for the design, planning and construction of the Payson Project and the Payson Water Treatment Plant; bidding and awarding contracts with regard to any services, improvements or actions pertaining to any aspect of the design, planning or construction of the Payson Project or the Payson Water Treatment Plant; determining the schedule for the design, planning and construction of the Payson Project and the

Payson Water Treatment Plant; complying with all applicable federal and state laws, rules and regulations pertaining to the design, planning and construction of the Payson Project and the Payson Water Treatment Plant; and entering into agreements for the delivery of water from the Payson Project to other domestic water providers. Attached as Exhibit 7.2 is the Town's current schedule for the design, planning and construction of the Payson Project and the Payson Water Treatment Plant. The Town makes absolutely no representations or warranties whatsoever to Participant regarding the schedule for completion of the Payson Project or the Payson Water Treatment Plant; or the final components of the Payson Project or the Payson Water Treatment Plant; or the final cost of the design, planning and construction of the Payson Project of the Payson Water Treatment Plan; or the final capacity of the Payson Project and the Payson Water Treatment Plant.

7.3 The Town shall provide quarterly reports to the Participant, beginning in the same year in which this Agreement is executed, on or before each January 1, April 1, July 1 and October 1 of a calendar year, summarizing any progress made by the Town on the design, planning and construction of the Payson Project and the Payson Water Treatment Plant during the prior preceding quarter. For example, in a quarterly report delivered on or before April 1 of a calendar year, the Town shall summarize the Town's progress made during the preceding October, November and December quarter. As part of its quarterly reports, the Town shall also A) describe its estimated percentage of completion of each segment of the Payson Project and the Payson Water Treatment Plan and reasonably estimate the time required to complete the remaining construction so as to allow the Town to issue a Notice of Construction Completion; B) disclose any additional Capital Grants received since the last quarterly report; C) provide an updated schedule for completion of the Payson Project and the Payson Water Treatment Plant;

and D) provide an explanation of any known or expected delays, including financing, that could materially impact the schedule on Exhibit 7.2.

7.4 The Town shall deliver the Notice of Construction Completion promptly following the Town's completion of testing and inspection of the Payson Project and the Payson Water Treatment Plant and Town's determination, made in its sole and absolute discretion, that the Payson Project and the Payson Water Treatment Plant are operational and able to meet the Town's obligations as described herein.

8. OWNERSHIP, OPERATION AND CONTROL.

The Parties acknowledge and agree that the Town will own the Payson Project and the Payson Water Treatment Plant, and shall have the right, in its sole discretion, to make all decisions pertaining to the operation, control, maintenance, repair and replacement of the Payson Project and the Payson Water Treatment Plant, including, without limitation, determining operational procedures and protocols; bidding and awarding contracts with regard to any services, improvements or actions pertaining to any aspect of the operation, control, maintenance, repair or replacement of the Payson Project or the Payson Water Treatment Plant; determining the schedule for maintenance, repair and replacement of components of the Payson Project and the Payson Water Treatment Plant; complying with all applicable federal and state laws, rules and regulations pertaining to operation, control, maintenance, repair or replacement of the Payson Project or the Payson Water Treatment Plant; setting the Water Delivery Rate; controlling the Shut-Off Valve; and entering into agreements for the delivery of water from the Payson Project to other domestic water providers.

9. PARTICIPANT STORED WATER.

9.1 On or before December 1 of each year following the last to occur of the events described in Subparagraph 7.1, the Participant shall submit to the Town the projected water orders for Participant Stored Water to be submitted to the SRP Parties under the Participant/SRP Agreement for the upcoming Water Year.

9.2 Pursuant to the Participant/SRP Agreement, on May 1 of each year, SRP is required to calculate the amount of Participant Stored Water to be credited to the Participant for diversion and use within the Participant Water Service Area for that Water Year. On or before May 3 of each year, Participant shall deliver to the Town a copy of the SRP calculation of the Participant Stored Water for that Water Year.

9.3 Pursuant to the Participant/SRP Agreement, Participant must submit orders to SRP for the delivery of the Participant Stored Water. On each occasion that Participant submits an order to SRP for the delivery of Participant Stored Water, Participant shall deliver to the Town a copy of that order within five (5) business days after submission of that order, and the Participant Stored Water Account shall be adjusted to conform to the amount of each such order, as described in Paragraph 14.

9.4 Participant Stored Water credits remaining in the Participant Stored Water Account at 11:59 p.m. on April 30 of each year shall not be carried forward and the credits in the Participant Stored Water Account, as described in Paragraph 14, shall be set to zero at that time. In the event that Participant diverts water in excess of the available Participant Stored Water credits in any Water Year, resulting in a negative balance in the Participant Stored Water Account, such excess shall be debited against the Participant Stored Water Account as of the next May 1, as described in Paragraph 14.

9.5 If Participant Stored Water credits are reduced by SRP as provided in the Participant/SRP Agreement due to any circumstance, and such reduction causes a deficit in the SRP account for Participant for that Water Year, then the Town shall debit the Participant Stored Water Account by an amount equal to the deficit in the SRP account for Participant.

9.6 If SRP notifies Participant that the Participant Stored Water credits are reduced pursuant to the Participant/SRP Agreement due to any circumstances, Participant shall immediately notify the Town of the amount of such reduction.

9.7 Participant unconditionally and irrevocably authorizes the Town to obtain from SRP information regarding the SRP account for Participant and the balance of the SRP account for Participant, and unconditionally and irrevocably authorizes SRP to release said Participant SRP account information to the Town. Upon the execution of this Agreement, Participant shall sign and deliver to the Town a letter of authorization in the form attached as Exhibit 9.7. From time to time as requested by the Town, Participant shall promptly confirm Participant's authorizations under this Subparagraph to Town and SRP.

9.8 Participant acknowledges and agrees that the amount of Participant Stored Water available to Participant under the Participant/SRP Agreement and available for delivery under this Agreement will vary from Water Year to Water Year. In no event shall the Town be obligated to deliver or make available to Participant during a Water Year an amount of water in excess of amount of the Participant Maximum Annual Amount for that Water Year. Participant is solely responsible for submitting water orders to SRP and for taking such actions as may be necessary to reduce water demand or increase water storage to accommodate fluctuations in the amount of the Participant Stored Water.

10. DELIVERY AND DISTRIBUTION.

10.1 Participant may deliver and distribute water received from the Payson Water Treatment Plant for use only by customers within the Participant Water Service Area.

10.2 Participant is regulated as a public service corporation by the Arizona Corporation Commission (ACC). Participant may take water deliveries under this Agreement only after satisfying the following conditions:

10.2.1 the ACC has approved this Agreement and the financing by Participant of the sums to be paid by Participant under this Agreement; and

10.2.2 Participant has received, in Participant's sole opinion, satisfactory treatment of its costs, expenses and rate of return by the ACC (the "ACC Conditions"). Promptly after the satisfaction with the ACC Conditions, Participant shall deliver to the Town a written acknowledgment and agreement signed by Participant unconditionally confirming that the ACC Conditions are satisfied in full, and that the Payment Condition described in Subparagraph 15.2.2(B) is satisfied in full. In the event that the ACC Conditions are not satisfied on or before the date that is two (2) years following the date of this Agreement, the Town may elect, in its sole discretion, to terminate this Agreement by providing written notice of termination to the Participant.

10.3 Participant may finance the sums to be paid by Participant under this Agreement and under the Participant/SRP Agreement through a loan or loan commitment obtained by Participant from the Water Infrastructure Finance Authority of Arizona or any other source (the "Financing"). Promptly after Participant obtains the Financing, Participant shall deliver to the Town A) copies of the loan documents or loan commitment evidencing the WIFA Financing, and B) a written acknowledgment and agreement signed by Participant unconditionally confirming that the Financing obtained by Participant satisfies the Payment Condition described

in Subparagraph 15.2.2(C) in full. In the event that the Participant does not obtain the Financing on or before the date that is two (2) years following the date of this Agreement, the Town may elect, in its sole discretion, to terminate this Agreement by providing written notice of termination to the Participant. If Participant elects not to finance the sums to be paid by Participant under this Agreement and under the Participant/SRP Agreement, Participant shall deliver to the Town a written acknowledgment and agreement signed by Participant unconditionally confirming that Participant has elected not to obtain the Financing and unconditionally waiving the Payment Condition described in Subparagraph 15.2.2(C).

10.4 Subject to the terms of this Agreement, the Town's obligations to deliver the Participant Stored Water and to treat the Participant Stored Water shall commence on the first day of the Water Year following the last to occur of A) the Town's delivery of a Notice of Construction Completion to Participant; B) Participant's delivery of a copy of the Certificate to the Town; C) Participant's installation of the connection to the Payson Project and of the Participant Measuring System as required in Subparagraph 10.7; D) Participant's payment of all amounts due under Subparagraphs 15.1.1, 15.1.2, 15.1.3, and 15.1.4; and E) Participant's compliance with all other obligations under this Agreement. To the extent that there are credits in the Participant Stored Water Account, and subject to terms and conditions of this Agreement, including Paragraph 11, the Town shall deliver water to the Participant at the Participant Delivery Point. Deliveries shall be made using an automated water flow control system approved by the Town and SRP and installed by Participant pursuant to Subparagraph 10.7. Participant acknowledges that the Town shall have no obligation to deliver Participant Stored Water unless Participant has timely ordered delivery of Participant Stored Water from the SRP Parties pursuant to the Participant/SRP Agreement. Participant shall have the sole responsibility

for ordering Participant Stored Water in sufficient amounts and in a timely manner from the SRP Parties. Participant shall not order Participant Stored Water in excess of the amount of Participant Stored Water in the Participant Stored Water account maintained by SRP at the time of the order. Participant shall provide copies to the Town of all orders submitted to the SRP Parties for deliveries of Participant Stored Water within five (5) business days after submission of each such order. The Town shall measure the Payson Stored Water, the Participant Stored Water and any other water delivered to the Payson/SRP Delivery Point, utilizing the Flow Measurement System.

10.5 The Town may periodically review and modify the definition of Transmission Losses based on the actual performance of the Payson Project and the Payson Water Treatment Plant, and shall provide written notice to the Participant of each such modification. Each modified definition of Transmission Losses shall be automatically effective on May 1 of the immediately-following Water Year; provided that the Town has delivered written notice of the modified definition to Participant at least thirty (30) days before said May 1 date.

10.6 Subject to the terms of this Agreement, the Town shall be responsible for transporting Participant Stored Water from the Payson/SRP Delivery Point to the Payson Water Treatment Plant, and for the delivery of Participant Stored Water from the Payson Water Treatment Plant to the Participant Delivery Point. The Town anticipates that water delivered by the Town to the Participant Delivery Point will be pressurized to approximately 38 pounds per square inch ("psi"). The Participant shall be responsible for transporting Participant Stored Water from the Participant Delivery Point and distributing Participant Stored Water for distribution within the Participant Water Service Area. Participant acknowledges and agrees that the Participant Delivery Point is approximately 440 feet from the Participant Water Service Area,

and that water delivered by the Town to the Participant Delivery Point will be pressurized to approximately 38 psi. Participant is solely responsible for the design, construction and installation of all water infrastructure necessary or desirable to transmit the Participant Stored Water from the Participant Delivery Point to the Participant Water Service Area (the "Additional Infrastructure"), including the installation of all Additional Infrastructure necessary, as determined by Participant, to increase the pressure of water delivered to the Participant Delivery Point beyond 38 psi.

10.7 Participant shall design and construct A) Participant's connection to the Town's potable water system at the Participant Delivery Point, B) the Participant Measuring System, and C) the Additional Infrastructure, all at its cost and expense. The Town shall review, modify, and approve any plans for the Participant's connection to the Town's potable water system at the Participant Delivery Point and for the Participant Measuring System, and the schedule for construction to ensure, among other things, 1) compatibility with the operation and maintenance of the Payson Project, 2) accuracy of the Participant Measuring System, 3) that the rate of water delivery to the Participant shall not exceed 125 gpm, and 4) the automated flow control function of the Participant's connection. The Town shall also review the plans for the Additional Infrastructure.

10.8 The Participant shall not commence construction of the Participant's connection or the Participant Measuring System until A) the Town has approved the plans for same, B) the Town has approved the schedule for the construction of same, and C) the Town has reviewed the plans for the Additional Infrastructure. In addition, Participant shall obtain the approval of the SRP Parties to the Participant Measuring System. Following the Town's approval of the plans for the Participant's connection and the Participant Measuring System, Participant shall construct

the Participant's connection to the Town's potable water system at the Participant Delivery Point and shall install the Participant Measuring System pursuant to the approved plans and pursuant to the Participant/SRP Agreement. The Participant shall reimburse the Town for all costs associated with the review, modification, approval and, once completed, inspection of the Participant's connection and the Participant Measuring System in an amount not to exceed \$500.00. Following completion of the Participant's connection to the Town's potable water system at the Participant Delivery Point and the Participant Measuring System, Participant shall maintain the same in accordance with industry standards and in accordance with Paragraph 13.

10.9 The maximum diversion rate by the Participant at the Participant Delivery Point shall not exceed the rate of 125 gallons per minute (gpm). Participant acknowledges and agrees that 125 gpm may not be sufficient for fire flow protection within the Participant Water Service Area. To the extent Participant desires to provide fire flow protection within the Participant Water Service Area, Participant shall be solely responsible for installing, operating and maintaining storage facilities or alternative water production facilities sufficient to provide fire flow protection, and the Town shall have absolutely no responsibility or obligation whatsoever for fire flow protection.

10.10 Participant acknowledges and agrees that the water delivered by the Town to the Participant Delivery Point shall consist solely of water delivered directly from the Payson Water Treatment Plant. Participant further acknowledges and agrees that the Town's obligation to deliver the Participant Stored Water is subject to and conditioned upon the Participant's compliance with all of the terms of this Agreement and upon the delivery of the Participant Stored Water by the SRP Parties to the Payson/SRP Delivery Point. In any Water Year, the

Town has absolutely no responsibility or obligation whatsoever to deliver water to the Participant Delivery Point in excess of the Participant Maximum Annual Amount.

10.11 Participant acknowledges and agrees that Participant controls the amount of Participant Stored Water ordered by Participant from the SRP Parties. In any Water Year, the total amount diverted by Participant at the Participant Delivery Point (and after adjusting the diversion by taking Transmission Losses into account) may be less than the Participant Stored Water ordered by Participant for that Water Year and less than the credits available in the Participant's Stored Water Account. In that event, any Participant Stored Water delivered by the SRP Parties in response to an order submitted by the Participant and not diverted by Participant at the Participant Delivery Point may be delivered by the Town to customers within the Town Water Service Area or to the water delivery points of any other party who participates in the Payson Project or the Payson Water Treatment Plant, and neither the Town nor any other party shall have responsibility or obligation whatsoever to Participant for the delivery of such excess Participant Stored Water.

10.12 Participant acknowledges and agrees that the SRP Parties will deliver Participant Stored Water from approximately May through December of each Water Year. Notwithstanding the foregoing, from year to year, the SRP Parties will determine when to cease the delivery of Participant Stored Water to the Payson/SRP Delivery Point and when to recommence the delivery of Participant Stored Water to the Payson/SRP Delivery Point. Due to conditions at the C.C. Cragin Reservoir, in a particular Water Year, the SRP Parties may cease the delivery of Participant Stored Water later or earlier than December 1 and may recommence the delivery of Participant Stored Water later or earlier than May 1. The Town shall have absolutely no responsibility or obligation whatsoever to deliver any water to the Participant Delivery Point

during the months that the SRP Parties have ceased deliveries of Participant Stored Water to the Payson/SRP Delivery Point. Participant shall be solely responsible for installing, operating and maintaining water production, storage and treatment facilities sufficient to provide water deliveries within the Participant Water Service Area during the months of each Water Year when the SRP Parties do not delivery Participant Stored Water to the Payson/SRP Delivery Point.

11. INTERRUPTIONS OR REDUCTIONS IN DELIVERY.

Water deliveries to the Participant Delivery Point shall be controlled by an automated flow control system installed by Participant pursuant to Subparagraph 10.7. The Town shall make water available for diversion at the Participant's Delivery Point, except for A) interruptions or reductions in deliveries due to: (1) water supply or water delivery or water treatment facility limitations, including without limitation those limitations in water supply described in Subparagraph 10.12, or (2) uncontrollable forces as defined in Paragraph 17; B) interruptions or reductions which are reasonably necessary or desirable for the purposes of maintenance, repairs, replacements, installations, investigations and inspections of the Payson Project or any component thereof, or the Payson Water Treatment Plant or any component thereof, including, but not limited to, system dry-ups; provided that the Town, except in case of emergency, will give the Participant reasonable, advance notice of temporary interruptions or reductions and will use reasonable diligence in attempting to remove the cause thereof; (3) interruptions or reductions in deliveries due to the Participant's delinquency in the payment of the charges billed by the Town as described in Subparagraph 15.2.8; (4) interruptions or reductions in deliveries due to insufficient credits in the Participant Stored Water Account, as described in Paragraph 14; and (5) interruptions or reductions in deliveries under the Participant/SRP Agreement.

12. WATER QUALITY, INDEMNITY AND INSURANCE.

12.1 The Town shall be solely responsible for the quality of water delivered to the Participant Delivery Point. The Town is subject to and is obligated to comply with all applicable federal and state laws and regulations pertaining to drinking water systems. Following delivery by the Town to the Participant Delivery Point, the Participant shall be solely responsible for the quality of water delivered within the Participant Water Service Area. The Parties acknowledge and agree that Changes in Regulation are likely to occur from time to time, and that the Town may elect, in its sole determination as the owner and operator of the Payson Water Treatment Plant, to expand, modify or alter the Payson Water Treatment Plant or components thereof in response to a Change in Regulation. Any and all such expansions, modifications or alterations to the Payson Water Treatment Plant or its components, and/or in treatment methods, regimen or processes at the Payson Water Treatment Plant, made by the Town in response to a Change in Regulation, shall constitute part of the Payson Water Treatment Plant.

12.2 The Participant shall and does hereby release the Town from liability for any claims to the quality of water delivered by the Participant within the Participant Water Service Area, except liability resulting in whole or in part from the quality of water delivered to the Participant Delivery Point. Except as provided in the preceding sentence, the Participant shall assume all liability against all losses, of whatsoever kind or nature, whether found in tort, strict liability or contract, from claims by third parties resulting from the delivery of such water to the Participant. The Participant shall defend and hold harmless the Town, members of its governing bodies, its elected officials, employees, officers, and agents from and against all such claims for such losses except those losses resulting in whole or in part from the quality of water delivered by the Town to the Participant Delivery Point. Nothing in this Agreement precludes the Participant from asserting claims of whatsoever kind or nature, whether found in tort, strict

liability or contract, against persons or entities other than the Town, members of its governing bodies, its elected officials, employees, officers or agents, as a result of actions or failures to act that impair the quality of water delivered within the Participant Water Service Area.

12.3 Without limiting any liabilities or any other obligations of the Participant under this Agreement, the Participant shall provide and maintain, with forms and insurers acceptable to the Town, until all the obligations under this Agreement are satisfied, the minimum insurance coverage as follows: Commercial General Liability insurance with a minimum combined single limit of FIVE MILLION DOLLARS (\$5,000,000) each occurrence. The Participant may achieve this minimum insurance coverage through a combination of one or more policies including regular and umbrella coverages. The policies shall include coverage for bodily injury liability, property damage injury liability, personal injury liability and contractual liability for liability assumed under this Agreement or any other associated contract. The policies shall contain a severability of interests provision.

12.4 The policies required herein shall be endorsed to include the Town, members of its governing bodies, its elected officials, employees, officers and agents as additional insureds, and shall stipulate that the insurance afforded for the Town, members of its governing bodies, its elected officials, employees, officers or agents shall be excess and not contributory insurance.

12.5 The Participant and its insurers providing the required coverage shall waive all rights of subrogation against the Town, members of its governing bodies, its elected officials, employees, officers, and agents.

12.6 Prior to the execution of this Agreement, the Participant shall furnish the Town with Certificates of Insurance as evidence that policies providing the required coverage, conditions and limits are in full force and effect. The Participant shall immediately notify the

Town of any cancellation, termination or material alteration of any of the policies providing the required coverages. The original Certificates of Insurance and any notices of cancellation, termination, or alteration shall be sent directly to the Town's Authorized Representative under Paragraph 16 of this Agreement.

12.7 The insurance policies may provide coverage which contains deductibles or self-insured retentions. The Participant shall be solely responsible for deductibles and/or self-insured retentions and the Town, at its option, may require the Participant to secure the payment of such deductibles or self-insured retentions by a surety bond.

13. PARTICIPANT MEASUREMENT SYSTEM.

13.1 The Participant shall construct and install the Participant Measuring System as provided in Subparagraph 10.7. Thereafter the Participant shall maintain the Participant Measurement System in accordance with manufacturers' specifications for the specific application. The Participant shall maintain the accuracy of the Participant Measurement System as close to zero error as practical but in no event shall a uniform distribution of accumulated error deviate from actual volume by more than:

13.1.1 Plus or minus five percent (5%) at the flow (rate) indicating device, unless otherwise agreed by the Authorized Representatives, and

13.1.2 Plus or minus two percent (2%) of the annual totalized volume, unless otherwise agreed by the Authorized Representatives.

13.2 The Town shall prepare testing and recalibration protocols and procedures for the Participant Measurement System, including required qualifications for testing personnel. To the extent reasonably practicable, the Town's testing and recalibration protocols and procedures will be same as those imposed by the SRP Parties for the Participant Measurement System. At least

once every twelve (12) months, the Participant shall recalibrate the Participant Measurement System as close to zero error as practical, and in accordance with the Town's testing and recalibration protocols and procedures, but in no event shall error exceed the accuracy standard in Subparagraph 13.1. The Participant shall orally or in writing notify the Town's Authorized Representative of and when such recalibration is planned so that the Town may observe the procedure. The Town may require a change in the testing schedule to avoid interference with the operation of the Payson Project or of the Town's potable water delivery system. Participant shall provide copies of all testing results to the Town promptly following each recalibration. The Town may at reasonable times, at its sole expense and after reasonable notice to the Participant, test or have tested the Participant Measurement System to determine its accuracy. If the Participant Measurement System exceeds the accuracy standard in Subparagraph 13.1, the Town shall notify Participant, and Participant shall immediately recalibrate the Participant Measuring System as provided in this Subparagraph 13.2. The Authorized Representatives may change the party responsible for testing and recalibrating the Participant Measurement System as provided in Subparagraph 16.2.5.

13.3 In the event that water accounting records or any routine or special test of the Participant Measurement System discloses an annual volume, or a flow measurement error, that exceeds the limits provided in Subparagraph 13.1, all bills and water accounting affected by such limits having been exceeded may be adjusted by the Town based on the best available data, subject to Subparagraph 15.2 and Paragraph 20. Adjustments shall not encompass more than the elapsed time since the last preceding test.

13.4 Pursuant to the Payson/SRP Agreement, the Town is obligated to construct, install and maintain a Flow Measurement System (as defined in the Payson/SRP Agreement) at the

Delivery Point, to implement testing and recalibration procedures for the Flow Measurement System at the Delivery Point and to recalibrate the Flow Measurement System at the Delivery Point at least once every six (6) months. Notwithstanding anything to the contrary stated in the Participant/SRP Agreement, so long as the Town is in compliance with its obligations in regard to the Flow Measurement System at the Delivery Point as described above, Participant shall not construct, install and maintain a Flow Measurement System at the Delivery Point, implement testing and recalibration procedures for the Flow Measurement System at the Delivery Point or recalibrate the Flow Measurement System at the Delivery Point. This Subparagraph shall not change or affect Participant's obligations regarding the Participant Measurement System at the Participant Delivery Point.

14. WATER ACCOUNTING AND REPORTING.

14.1 The Town shall establish the Participant Stored Water Account for the Participant for each Water Year, and shall:

14.1.1 Immediately after receipt of a copy of the first order for Participant Stored Water submitted by Participant to SRP for that Water Year pursuant to Subparagraph 9.3, credit the Participant Stored Water Account with the amount of water ordered by Participant from the SRP Parties as stated in that water order.

14.1.2 Immediately after crediting the Participant Stored Water Account for a Water Year as provided in Subparagraph 14.1.1, debit the Participant Stored Water Account by the amount of any negative balance in the Participant Stored Water Account as of 11:59 p.m. on April 30 of the previous Water Year.

14.1.3 At the commencement of the next Water Year following the completion of an audit pursuant to Subparagraph 19.2 or the resolution of a dispute pursuant to Paragraph 20,

either A) debit the Participant Stored Water Account for any water due from the Participant determined as the result of the audit or the resolution of the dispute, or B) credit the Participant Stored Water Account for any water due from the Town determined as a result of the audit or the resolution of the dispute.

14.1.4 Commencing in June of each Water Year, debit the Participant Stored Water Account by A) the amount of Participant Stored Water delivered to the Participant Delivery Point during the preceding month of the Water Year, plus B) an amount equal to the amount of Participant Stored Water described in Subparagraph 14.1.4(A) for the applicable month, multiplied by the Transmission Losses.

14.1.5 Debit the Participant Stored Water account in accordance with Subparagraph 9.5 in the event that the Participant Stored Water account maintained by SRP is debited and such action results in a deficit in the Participant Stored Water account maintained by SRP.

14.1.6 Credit the Participant Stored Water Account for any additional orders of Participant Stored Water submitted by Participant to the SRP Parties during the Water Year, provided that copies of such orders are delivered to the Town and provided, further, that an order does not exceed the amount of Participant Stored Water in the Participant Stored Water account maintained by SRP at the time of the order.

14.1.7 Extinguish all unused Participant Stored Water credits remaining in the Participant Stored Water Account at 11:59 p.m. on April 30 of each year, as described in Subparagraph 9.4.

14.2 The Town shall maintain a record of the total amount of Participant Stored Water ordered by Participant from the SRP Parties in a Water Year (as reflected in copies of water

orders copied to the Town by the Participant), the total amount of Participant Stored Water delivered to the Payson/SRP Delivery Point, and the total amount of Participant Stored Water delivered to the Participant Delivery Point, adjusted by Transmission Losses.

14.3 The Town shall report the amounts prescribed in this Paragraph 14 and the associated water accounting to the Participant on a quarterly basis by the end of the month following the quarter for which the accounting was performed. Such report shall include a year-to-date accounting summary on a quarter-end basis.

15. BILLING AND PAYMENT OF CHARGES; RATE ADJUSTMENTS; PAYMENT CONDITIONS; RECONCILIATION.

15.1 The Participant shall pay the Town the following:

15.1.1 An amount equal to two and twenty-six hundredth percent (2.26%) of the Payson Project Net Construction Costs;

15.1.2 An amount equal to two and twenty-six hundredth percent (2.26%) of Payson Water Treatment Plant Net Construction Costs;

15.1.3 A one-time, set-up fee not to exceed the Town's actual costs incurred in establishing accounting programs and procedures required under this Agreement. In no event shall Participant's liability under this Subparagraph exceed \$5,000.00;

15.1.4 Fees and charges specified in Subparagraph 10.7;

15.1.5 Beginning on May 1 of the Water Year in which the Town's water delivery obligations commence pursuant to Subparagraph 10.4, a monthly charge equal to the Water Delivery Rate multiplied by the Participant Stored Water delivered to the Participant Delivery Point, if any, during that month.

15.2 The Town shall bill the charges described in Subparagraph 15.1 to the Participant, including any adjustments to previous charges, in accordance with the following:

15.2.1 Together with the Notice of Construction Completion, the Town shall provide a bill to Participant detailing the total amounts owed by Participant under Subparagraphs 15.1.1, 15.1.2, and 15.1.3.

15.2.2 Within fifteen days after the satisfaction of the last of the Payment Conditions described below, Participant shall pay the Town all amounts owed under Subparagraphs 15.1.1, 15.1.2, and 15.1.3 by wire transfer into an account to be provided by the Town of Payson. Participant shall have no obligation to pay the Town the amounts owed under Subparagraphs 15.1.1, 15.1.2, and 15.1.3, until the following conditions are satisfied: A) ADWR has issued the Certificate to Participant; B) the ACC Conditions described in Subparagraph 10.2 have been satisfied; C) Participant has obtained the Financing or a commitment for the Financing described in Subparagraph 10.3, or has waived this condition as provided in Subparagraph 10.3; and D) the Town has delivered the Notice of Completion to Participant (together, the "Payment Conditions"). Upon the satisfaction of all of the Payment Conditions, Participant shall pay the Town all amounts owed under Subparagraphs 15.1.1, 15.1.2, and 15.1.3 as provided in this Subparagraph.

15.2.3 Promptly following the construction of the Participant's connection and the Participant Measuring System until Subparagraph 10.7, the Town shall bill Participant all costs incurred by the Town associated with the review, modification, approval and, once completed, inspection of the Participant's connection and the Participant Measuring System, provided that the Town's bill under this Subparagraph shall not exceed \$500.00. Participant shall pay the Town within fifteen days after receipt of the bill.

15.2.4 The Town shall bill Participant as set forth in Subparagraph 15.1.5, commencing in June of the Water Year in which the Town's water delivery obligations commence pursuant to Subparagraph 10.4, based on the amount of Participant Stored Water, if any, delivered to the Participant Delivery Point during the prior month, and Participant shall pay the Town within fifteen days after receipt of each such bill.

15.2.5 The Participant shall pay the Town in good funds as provided for in this Subparagraph 15.2. Bills which are not paid by the dates as prescribed in Subparagraph 15.2.3, 15.2.4 or 15.2.4 shall be delinquent and thereafter accrue an interest charge equal to the prime rate of interest as established by the Bank of America on the last business day of the month following the month for which the bill was submitted, plus two percent (2%) per annum, prorated by days, of the unpaid principal, computed daily until payment is received. Any payment received shall first be applied to any interest charges owed, and then to the charges for services rendered. Time is of the essence under this Paragraph 15.2.

15.2.6 The Town shall not commence the delivery of the Participant Stored Water to the Participant Delivery Point under this Agreement until Participant has paid in full all amounts due under Subparagraphs 15.1.1, 15.1.2, 15.1.3 and 15.1.4 as provided in Subparagraph 15.2.

15.2.7 If Participant disputes any portion of any bill, Participant shall pay the disputed amount under protest when due and include with its payment a written statement indicating the basis for the protest. The matter shall then be resolved in accordance with Paragraph 20. If the protest is resolved and determined to be in favor of Participant, the Town shall refund to the Participant any overpayment plus interest, accrued at the rate applicable

pursuant to Subparagraph 15.2.5, prorated by days from the date payment was credited to the Participant to the date the refund check is mailed.

15.2.8 If the Participant does not pay any delinquent amount within thirty (30) days after delivery by the Town of written notice of the delinquency, then the Town may use any available legal remedy to collect the delinquent amount. Additionally, if the delinquent amount is not paid in full within said thirty (30) day period, the Town may refuse to deliver water under this Agreement and may take such actions as may be necessary to discontinue the delivery of water under this Agreement, including turning off the Shut-Off Valve, until the delinquent amount, plus interest, is paid in full. The Town has absolutely no responsibility or obligation whatsoever to deliver water to the Participant Delivery Point until the delinquent amount, plus interest, is paid in full.

15.3 Together with the Notice of Construction Completion, the Town shall provide notice to the Participant of the Water Delivery Rate effective as of May 1 of the immediately-following Water Year. The Town may modify the Water Delivery Rate from time to time at the sole discretion of the Town, provided, however, that, following each modification of the Water Delivery Rate by the Town, the Water Delivery Rate as modified shall not exceed the highest rate per 1000 gallons that the Town charges to potable water customers within the Town's Water Service Area at the time of the modification. On each occasion that the Town modifies the Water Delivery Rate, the Town shall notify the Participant of the modified Water Delivery Rate not less than 30 days prior to the implementation of the modified Water Delivery Rate.

15.4 On or before six months after the issuance of the Notice of Construction Completion, the Town shall deliver a reconciliation statement to Participant detailing:

15.4.1 The Payson Project Capital Costs and the Payson Water Treatment Plant Construction Costs actually incurred for the Payson Project and the Payson Water Treatment Plant;

15.4.2 The Payson Project Net Capital Costs and the Payson Water Treatment Plant Net Construction Costs;

15.4.3 A calculation of Participant's obligations under Subparagraph 15.1.1 or 15.1.2; and

15.4.4 Any overpayment made by Participant under Subparagraph 15.2.2, if applicable, or any deficit owed by Participant due to underpayment under Subparagraph 15.2.2, if applicable.

15.5 If Participant has paid the Town the amounts due under Subparagraphs 15.1.1, 15.1.2, and 15.1.3 pursuant to Subparagraph 15.2.2, the Town shall credit any overpayment calculated under 15.4.4 against bills due under Subparagraph 15.2.4. If Participant has paid the Town the amounts due under Subparagraphs 15.1.1, 15.1.2, and 15.1.3 pursuant to Subparagraph 15.2.2, the Town shall bill Participant for any underpayment calculated under Subparagraph 15.4.4, and Participant shall pay the underpayment to the Town within ninety days of receipt. If the Participant has not yet paid the Town the amounts due under Subparagraphs 15.1.1, 15.1.2, and 15.1.3 pursuant to Subparagraph 15.2.2 because a Payment Condition has not yet been satisfied, the reconciliation statement delivered by the Town under Subparagraph 15.4 shall constitute a bill to Participant detailing the total amounts owed by Participant under Subparagraphs 15.1.1, 15.1.2, and 15.1.3, which Participant shall pay as provided in Subparagraph 15.2.2.

16. APPOINTMENT AND DUTIES OF AUTHORIZED REPRESENTATIVES.

16.1 The Town and the Participant shall each appoint an Authorized Representative and an alternate to administer the provisions of this Agreement assigned to the Authorized Representatives. The alternate shall act only in the absence of the Authorized Representative. All decisions and agreements of the Authorized Representatives shall be in writing and be signed by both Authorized Representatives.

16.2 In addition to any other responsibilities assigned to the Authorized Representatives in this Agreement, the Authorized Representatives:

16.2.1 May amend the Participant Water Service Area as shown on the map attached hereto as Exhibit 4.14, pursuant to and subject to Subparagraph 4.14.

16.2.2 Shall determine appropriate sampling points for obtaining water quality data for the Participant Stored Water.

16.2.3 Shall approve the procedures for the Town providing notice to Participant of water quality data following treatment at the Payson Water Treatment Plant.

16.2.4 Shall approve the procedures for the Town providing notice to Participant of any exceedence of water quality standards following treatment at the Payson Water Treatment Plant.

16.2.5 May amend the Party responsible for testing and recalibration of the Participant Measurement System pursuant to Subparagraph 13.2.

16.2.6 Shall approve the procedures for access to the Participant Delivery Point pursuant to Paragraph 18 when such access is required by the Town, provided that the procedures approved by the Authorized Representatives shall be consistent with Paragraph 18.

16.2.7 Shall approve the procedures for the Town providing notice to Participant of any emergency conditions pursuant to Paragraph 18.

16.2.8 Shall arrange for the requesting Party to audit the books, records and documents of the other Party directly pertaining to the billings and water accounting data required to administer this Agreement, pursuant to Subparagraph 19.1.

16.2.9 Shall respond to any notification of an exception taken as a result of an audit, pursuant to Subparagraph 19.2.

16.2.10 Shall arrange for the owing Party to return money owed and return or account for water owed as a result of an audit, pursuant to Subparagraph 19.2, or upon final resolution of a dispute, pursuant to Paragraph 20.

16.2.11 Shall jointly address any disputes as provided in Paragraph 20.

16.2.12 Shall meet at least once every twelve (12) months, unless they otherwise agree, to carry out the duties assigned to them by this Agreement and to discuss additional matters of common concern to the Town and the Participant.

16.3 If the Authorized Representatives disagree as to any action to be taken or decision to be made, or as to the need for taking any action or making any decision, or as to whether any matter is within the scope of the Authorized Representatives' responsibilities hereunder, the question or questions at issue may be referred to the Town Manager of the Town of Payson and the President of the Participant. Any issue(s) unresolved by the Town Manager of the Town of Payson and the President of the Participant may be addressed in a manner consistent with Paragraph 20.

16.4 Each Party shall notify the other Party in writing within thirty (30) days after execution of this Agreement of the designation of its Authorized Representative and alternate and shall promptly notify the other Party of any subsequent changes in such designation.

16.5 The Authorized Representatives shall have no authority to modify, amend or supplement this Agreement, other than as expressly provided in this Paragraph 16.

16.6 The Authorized Representatives of Participant appointed under the Participant/SRP Agreement shall not take action or consent to action taken under Subparagraphs 19.2.1, 19.2.2, 19.2.4 or 19.2.5 under the Participant/SRP Agreement without the Town's prior written consent to such action or consent to action.

17. UNCONTROLLABLE FORCES.

Neither Party shall be considered in default in the performance of any of its obligations hereunder when a failure of performance shall be due to uncontrollable forces; provided, however, that the Participant shall not be excused from paying its obligations pursuant to Subparagraphs 15.1.5 and 15.2.4. The term "uncontrollable forces" shall mean any cause beyond the control of the Party unable to perform such obligation, including, but not limited to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, and restraint by court order or public authority, and action or non-action by, or failure to obtain the necessary authorizations or approvals from, any governmental agency or authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome. Nothing contained herein shall be construed to require either Party to settle any strike or labor dispute in which it is involved.

18. ACCESS TO PARTICIPANT DELIVERY POINT.

Participant grants to the Town, its employees and agents, the right of access to the Participant Delivery Point and the Participant's connection to the Participant Delivery Point, as

and when necessary following twenty-four hours prior notice from the Town, for purposes of ascertaining compliance with this Agreement, including the right to test the Participant Measurement System. Right of access under this Paragraph 18 shall be pursuant to procedures approved by the Authorized Representatives. Notwithstanding the foregoing, the Town, its employees and agents, shall have the right to immediately access the Participant Delivery Point and the Participant's connection to the Participant Delivery Point in emergency situations, including, without limitation, in the event of water leaks, open delivery valves, and situations potentially endangering the public, without prior notice to Participant. In the event the Town accesses the Participant Delivery Point under emergency conditions, the Town shall make every reasonable effort to immediately notify the Participant's Authorized Representative or Alternative Representative to inform them of the emergency conditions encountered pursuant to the procedures adopted by the Authorized Representatives.

19. AUDIT.

19.1 Upon reasonable written notice to the Authorized Representative of the other Party, either Party at its expense shall have the right, at all reasonable times, to review and audit the books, records and documents of the other Party directly pertaining to the billings and water measurements required to administer this Agreement. Any audit hereunder may be conducted by an employee of or independent accountant or other suitable professional person designated by the auditing Party. The Party being audited agrees to fully cooperate with any such audit. The right to audit shall extend for a period of three (3) years following the date of each payment under this Agreement. The Parties agree to retain all necessary records and documentation during this audit period. The foregoing shall not be construed to permit either Party to conduct a general audit of the other Party's records. Information obtained by either Party's representatives

in examining the other Party's applicable records to verify such billings and water accounting data shall not be disclosed to third parties without prior written consent of the audited Party, unless such disclosure is in response to compulsory judicial or regulatory process or required by state law including the public records law. The Party required to disclose information to a third party shall give the other Party written notice of the disclosure as much in advance as possible.

19.2 The audited Party's Authorized Representative shall be notified in writing of any exception taken as a result of an audit and shall respond to such notification within thirty (30) days. Upon resolution of any exception, A) as to payment of any money due, the owing Party shall directly remit the amount of any exception to the other Party within thirty (30) days, with interest calculated in accordance with Subparagraph 15.2.5 and computed from the date of the original billing to the date of payment by the Party owing as a result of the audit; B) as to any water due, the owing Party shall consent to an adjustment to the Participant Stored Water Account as provided in Subparagraph 14.1.3.

19.3 Participant acknowledges and agrees that an auditing Party may not object to or assert an exception for the Town's establishment, review or modification of Transmission Loss, or for the Town's establishment, review or medication of the Water Delivery Rate, unless a modification of the Water Delivery Rate causes the Water Delivery Rate to exceed the limitation stated in Subparagraph 15.3.

20. RESOLUTION OF DISPUTES.

20.1 Any dispute, controversy, claim or cause of action arising out of or under or related to this Agreement (each, a "Matter") shall first be submitted to the Authorized Representatives for resolution. If the Matter cannot be resolved by the Authorized Representatives, any Party may submit the Matter to the Town Manager of the Town of Payson

and the President of the Participant. If the Matter cannot be resolved by the Town Manager of the Town of Payson and the President of the Participant, unless both Parties elect to submit to binding arbitration under Subparagraph 20.2, either Party may bring suit upon the Matter, provided however, that the sole venue for such litigation shall be in the Superior Court of Arizona in and for Maricopa County.

20.2 With the written consent of both Parties, any Matter may, but in no event need, be settled by submission to binding arbitration in accordance with the rules of the American Arbitration Association and the Arizona Uniform Arbitration Act, A.R.S. § 12-1501, *et seq.*

20.3 In the event a Party pursues a Matter, each Party shall be solely responsible for its own attorneys' fees and costs incurred therein, including expert witness fees, without regard to the outcome of the Matter and without contribution from the other Party, whether the Matter is resolved by the Authorized Representatives, the principals of the Parties, arbitration, litigation in a court, or otherwise.

21. ACTION PENDING RESOLUTION OF DISPUTES.

Pending the resolution of a dispute pursuant to Paragraph 20, the Parties shall make payments and otherwise perform, to the extent legally permissible, in a manner consistent with this Agreement. Amounts paid by a Party pursuant to this Paragraph 21 during the pendency of such dispute shall be subject to refund and adjustment upon a final resolution of any dispute involving an amount due. Upon such final resolution, A) money due shall be billed and remitted in accordance with Subparagraph 19.2, and B) as to any water due, the owing Party shall consent to an adjustment to the Participant Stored Water Account as provided in Subparagraph 14.1.3.

22. EXHIBITS.

All Exhibits referred to and attached to this Agreement are incorporated herein by this reference.

23. NOTICES.

Unless otherwise agreed by the Authorized Representatives, any notice, demand or request (a "Notice") provided for in this Agreement shall be in writing and delivered in person, or sent by registered or certified mail, postage prepaid, or sent by overnight delivery to:

1. Town of Payson
c/o Authorized Representative
303 North Beeline Highway
Payson, AZ 85541
Reference: Water Infrastructure and Capacity Sharing Agreement (Treated Water) for the Mesa del Caballo Water System
2. Payson Water Company, Inc.
c/o Authorized Representative
1010 South Stover Road
Payson, AZ 85541
Reference: Water Infrastructure and Capacity Sharing Agreement (Treated Water) with the Town of Payson
3. Robert T. Hardcastle, President
Payson Water Company, Inc.
3101 State Road
Bakersfield, CA 93308
Reference: Water Infrastructure and Capacity Sharing Agreement (Treated Water) with the Town of Payson

Either Party may change its address by providing written notice of the new address to the other Party as provided in this Paragraph. Notices shall be deemed delivered on the day of delivery, if hand-delivered; on the third business day after deposit with the U.S. Postal Service, if sent by mail as provided above; or on the first business day following deposit with a national overnight delivery service, if sent by overnight delivery.

24. WAIVER.

The waiver by either Party of any breach of any term, covenant or condition herein contained shall not be deemed a waiver of any other term, covenant or condition, or any subsequent breach of the same or any other term, covenant or condition herein contained.

25. CONFLICT OF INTEREST.

This Agreement is subject to the provisions of A.R.S. § 38-511, the terms of which are incorporated herein by reference, which provides for the cancellation of contracts by the municipality for certain conflicts of interest.

26. GOVERNING LAW.

This Agreement is made under, and shall be governed by, the laws of the State of Arizona.

27. INTERPRETATION.

The Parties hereby acknowledge and agree that each has been given the opportunity to independently review this Agreement with legal counsel, and that this Agreement is the result of negotiations between the Parties. In the event of any ambiguity in or dispute regarding the interpretation of this Agreement, the interpretation shall not be resolved by any rule of interpretation providing for the interpretation against the Party who caused the uncertainty to exist or against the draftsman.

28. HEADINGS.

Title and paragraph headings herein are for reference only and are not part of this Agreement.

29. ENTIRE AGREEMENT.

The terms, covenants and conditions of this Agreement constitute the entire Agreement between the Parties within the scope of the Agreement set forth in Paragraph 5 and no understandings or obligations not herein expressly set forth shall be binding upon them. This Agreement may not be modified or amended in any manner unless in writing and signed by the Parties. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

30. NONSEVERABLE AGREEMENT.

If any material provision of this Agreement is determined to be unenforceable in a final, nonappealable order by a court of competent jurisdiction, the entire Agreement shall be deemed voidable by either Party. In the event of such an order, however, the Parties shall exercise their best efforts, through the use of a dispute resolution process of their choice or, failing that, through the dispute resolution process provided in Paragraph 20, or other process of their choice, to agree on a modification of or replacement for the material unenforceable term or terms to achieve the objectives and preserve the mutual benefits of this Agreement.

31. SUCCESSOR AND ASSIGNS.

This Agreement is binding upon and shall inure to the benefit of the Parties hereto and to their successors and assigns, provided, however, that any assignment of this Agreement by the Participant shall be effective only upon the satisfaction of all of the following conditions: A) the assignment shall be pursuant to a written instrument under which Participant assigns all of its rights and delegates all of its obligations hereunder to the assignee, and the assignee assumes all of Participant's rights and obligations hereunder; B) Participant shall provide written notice of the assignment and a copy of the assignment instrument to the Town within ten days following

the execution of the assignment instrument; C) the assignee shall have the legal right and obligation to provide municipal water service within the Participant Water Service Area; and D) Participant has assigned the Participant/SRP Agreement to the assignee and the SRP Parties have approved the assignment of the Participant/SRP Agreement to the assignee.

32. Authorized Presence Requirements/Government Procurement (A.R.S. §41-4401).

32.1 Participant and any Subcontractor employed by Participant warrants their compliance with all Federal immigration laws and regulations that relate to their employees and with Arizona Revised Statutes Section 23-214(A).

32.2 A breach of the warranty under Section 32.1 above shall be deemed a material breach of this Agreement and shall be subject to penalties up to and including termination of the Agreement

32.3 The Town retains the legal right to inspect the papers of the Participant or Subcontractor who works on this Agreement to ensure that the Participant and Subcontractor is complying with Section 32.1.

33. Scrutinized Business Operations.

Pursuant to A.R.S. §§35-391.06 and 35-393.06 the Parties hereby represent that they do not have, nor any of their subcontractors have, and during the term of this Agreement will not have a scrutinized business operation in either Sudan or Iran.

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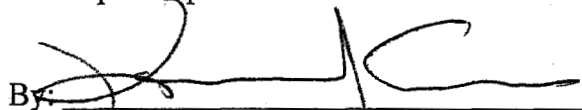
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The Town

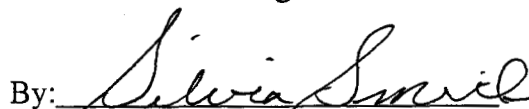
TOWN OF PAYSON, ARIZONA, an Arizona
municipal corporation

By: 

Name: Kenny J. Evans

Its: Mayor

Attest and Countersign

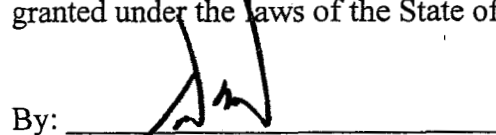
By: 

Name: Silvia Smith

Its: Town Clerk

APPROVED AS TO FORM:

The Town of Payson Legal Department has reviewed this Agreement and approved it as to form and has determined that said Agreement is in proper form and is within the powers and authority granted under the laws of the State of Arizona.

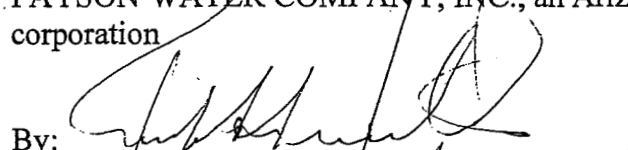
By: 

Name: Timothy M. Wright

Town Attorney

Participant:

PAYSON WATER COMPANY, INC., an Arizona
corporation

By: 

Name: ROBERT T. HARDCASTLE

Its: PRESIDENT

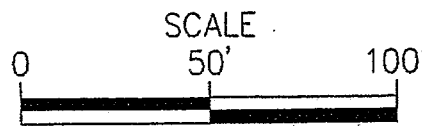
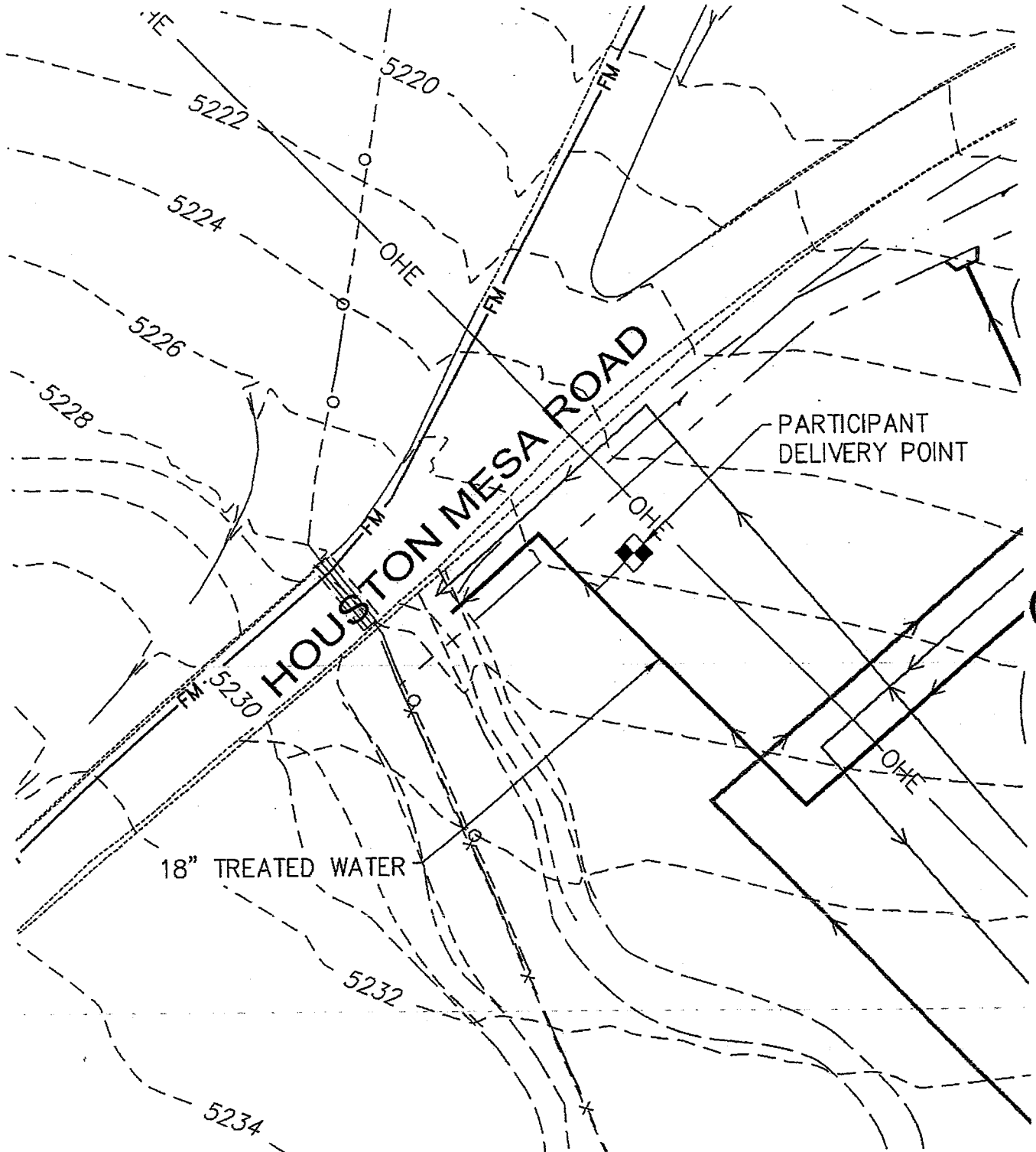
LIST OF EXHIBITS

1. Exhibit 4.10 -- Map depicting Participant Delivery Point
2. Exhibit 4.14 -- Map depicted Participant Water Service Area
3. Exhibit 4.16 -- Description of location and major components of Payson Project
4. Exhibit 4.17 -- Estimated budget of Payson Project Construction Costs
5. Exhibit 4.21 -- Planned location and major planned components of the Payson Water Treatment Plant
6. Exhibit 4.22 -- Estimated budget of Payson Water Treatment Plant Construction Costs
7. Exhibit 7.2 -- Town's current schedule for the design, planning and construction of the Payson Project and the Payson Water Treatment Plant
8. Exhibit 9.7 -- Letter of Authorization Form

EXHIBIT 4.10

Participant Delivery Point

MESA DEL CABALLO METER LOCATION



HORIZ: 1" = 50'



SUNRISE
ENGINEERING

414 S BEELINE HWY., SUITE 1
PAYSON, ARIZONA 85541
TEL 928.474.4404
www.sunrise-eng.com

EXHIBIT 4.14

Participant Water Service Area

Exhibit 4-15: 4,14 & PO
Mesa Del Caballo Water Service Area

T11N

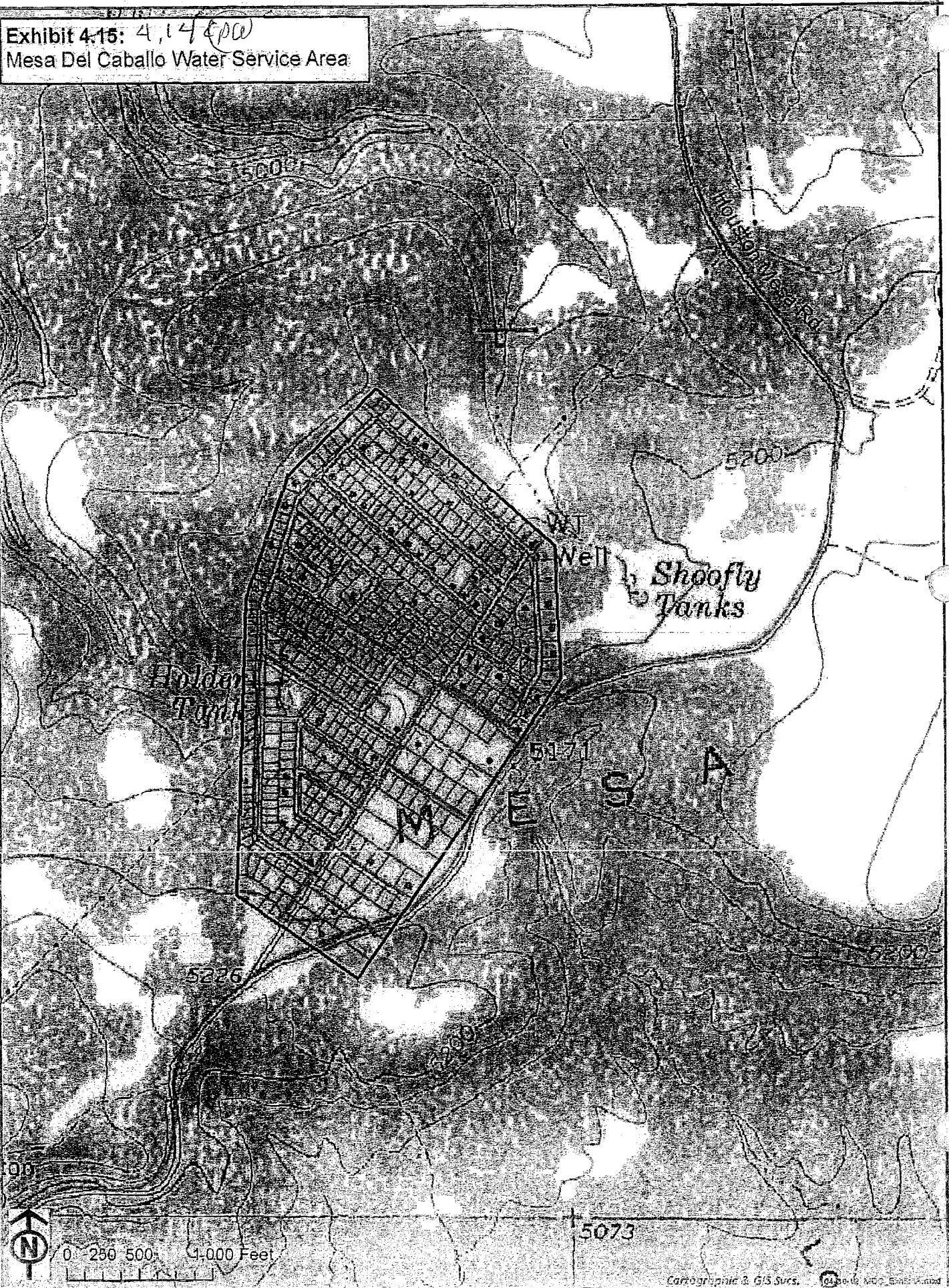


EXHIBIT 4.16

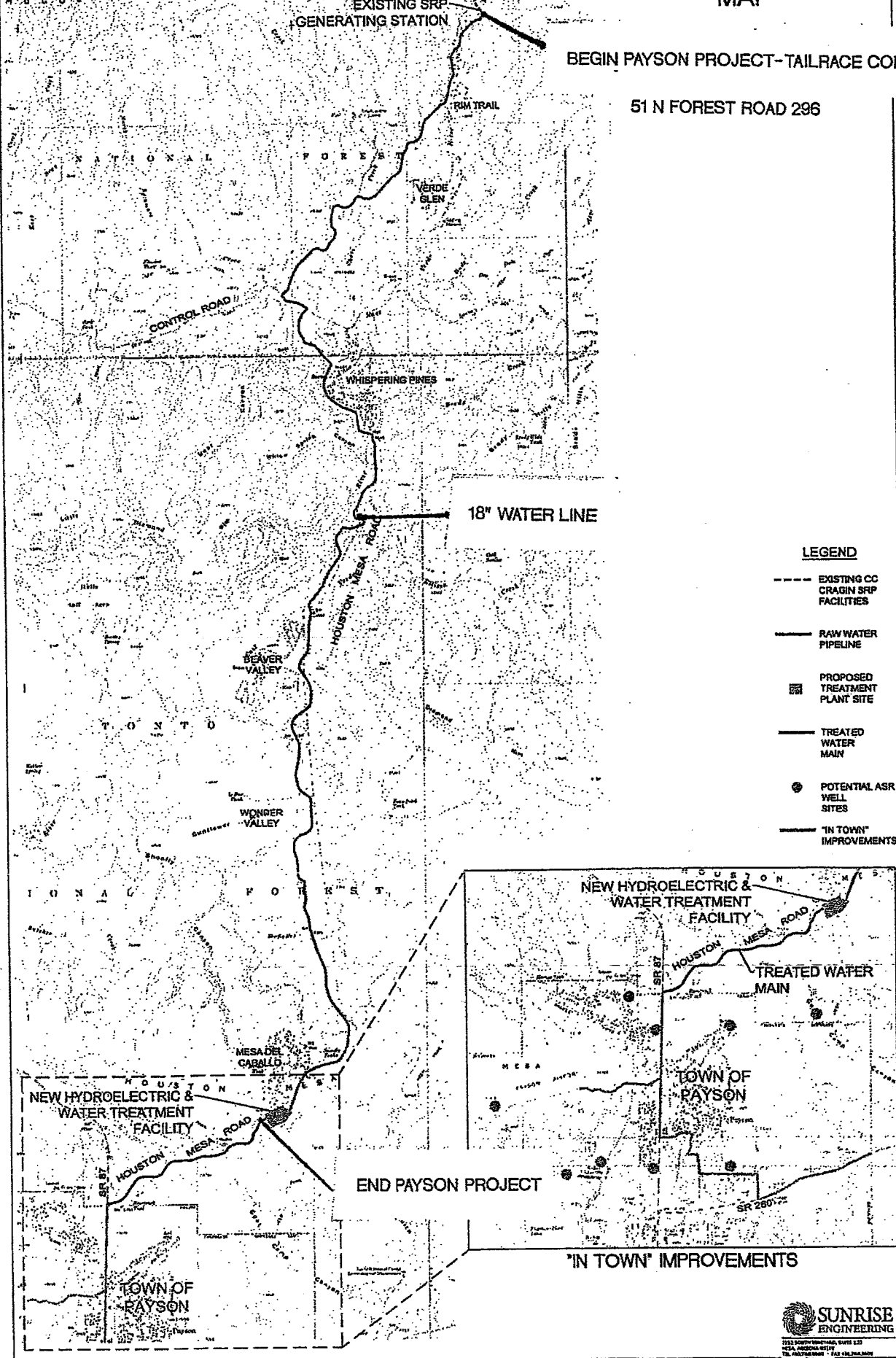
Major Components of the Payson Project

TOWN OF PAYSON C.C. CRAGIN RESERVOIR WATER SUPPLY PROJECT



Payson

PROJECT OVERVIEW MAP



LEGEND

- EXISTING CC CRAGIN SRP FACILITIES
- RAW WATER PIPELINE
- PROPOSED TREATMENT PLANT SITE
- TREATED WATER MAIN
- POTENTIAL ASR WELL SITES
- "IN TOWN" IMPROVEMENTS

EXHIBIT 4.17

Estimated Payson Project Construction Costs

Exhibit 4:17 Estimated Budget of Payson Project Construction Costs



Engineer's Opinion of Probable Cost

Project: C.C. Cragin Water Improvements

Owner: Town of Payson

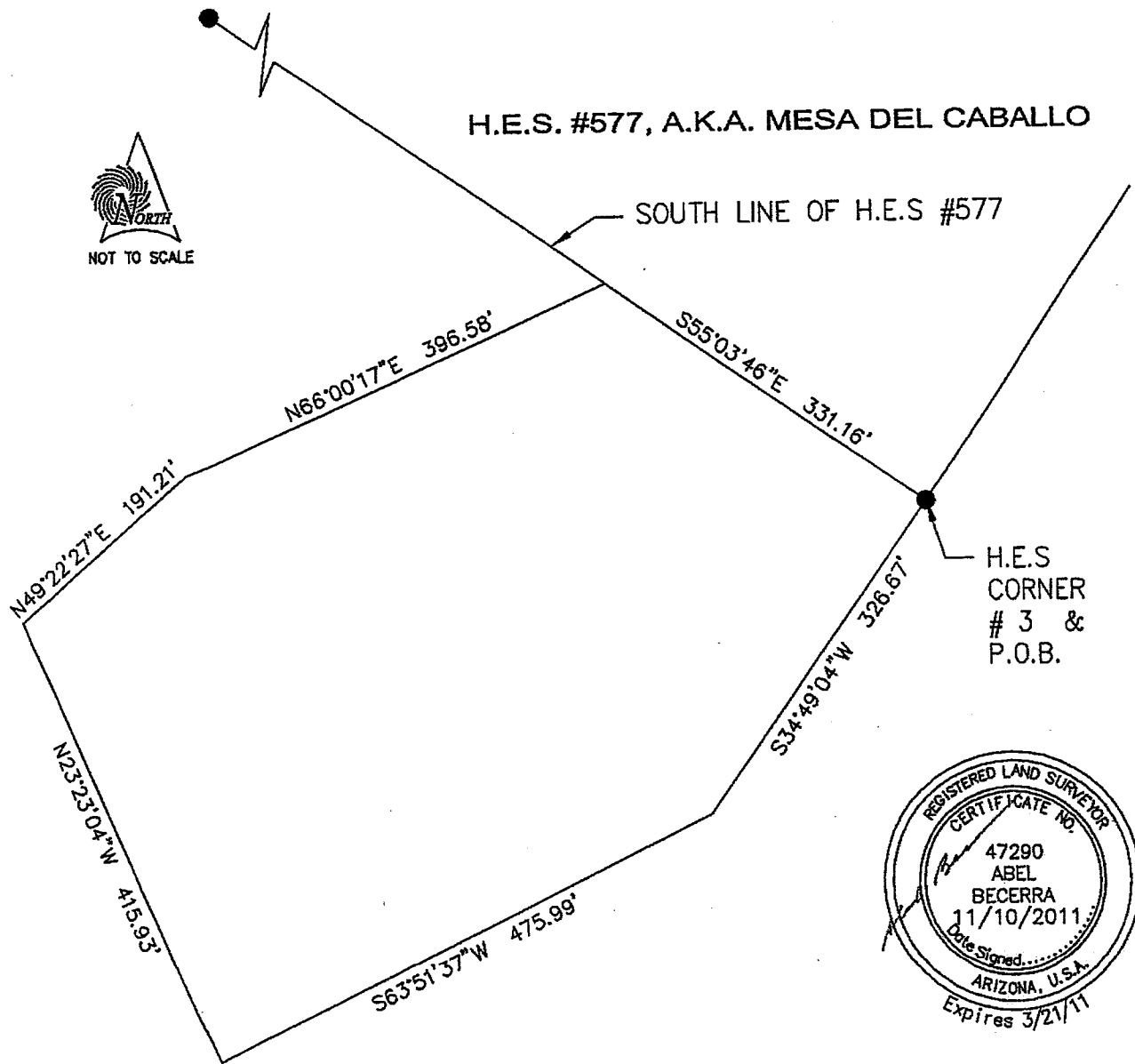
Date: 26-Sep-12

No.	Item Description	Amount
	18-inch Raw Water Pipeline & Tailrace Connection	\$15,801,015
	Membrane Treatment Facility & Treated Water Tank	\$10,325,400
	Miscellaneous Costs	\$2,115,000
	ESTIMATED PROJECT TOTAL	\$28,241,415

EXHIBIT 4.21

Major Components of the Payson Water Treatment Plant

EXHIBIT B



LEGEND

- HOMESTEAD ENTRY SURVEY LINE
- SUBJECT PROPERTY LINE
- R/W RIGHT OF WAY

SUPPORTING DOCUMENTS

- SURVEYS [R]
1. GLO ENLARGED DIAGRAM OF SECTION 33 & 34 DATED 3-31-1969
 2. GLO PLAT OF T11 N, R 10E DATED 2-19-1969
 3. GLO TOWNSHIP EXTERIOR PLAT DATED 4-18-1904
 4. HOMESTEAD ENTRY SURVEY # 577 DATED 10-1-1918

TOWN OF PAYSON - WATER TREATMENT SITE
TOWNSHIP 11 NORTH, RANGE 10 EAST
GILA & SALT RIVER MERIDIAN



SUNRISE
ENGINEERING
2152 SOUTH VINEYARD, SUITE 123
MESA, ARIZONA 85210
TEL 480.768.8600 • FAX 480.768.8609
www.sunrise-eng.com

EXHIBIT A

THAT PORTION OF THE PROTRACTED WEST HALF OF THE NORTHEAST QUARTER OF SECTION 23 AND A PORTION OF THE PROTRACTED EAST HALF OF THE NORTHWEST QUARTER OF SECTION 24, IN AN UNSURVEYED PORTION OF TOWNSHIP 11 NORTH, RANGE 10 EAST, OF THE GILA AND SALT RIVER MERIDIAN, GILA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT CORNER NUMBER 3 OF HOMESTEAD ENTRY SURVEY NUMBER 577, DATED SEPTEMBER 23, 1914, ALSO KNOWN AS "MESA DEL CABALLO", THENCE SOUTH 34 DEGREES 49 MINUTES 04 SECONDS WEST, A DISTANCE OF 326.67 FEET;

THENCE SOUTH 63 DEGREES 51 MINUTES 37 SECONDS WEST, A DISTANCE OF 475.99 FEET;

THENCE NORTH 23 DEGREES 23 MINUTES 04 SECONDS WEST, A DISTANCE OF 415.93 FEET;

THENCE NORTH 49 DEGREES 22 MINUTES 27 SECONDS EAST, A DISTANCE OF 191.20 FEET;

THENCE NORTH 66 DEGREES 00 MINUTES 17 SECONDS EAST, A DISTANCE OF 396.58 FEET TO A POINT ON THE SOUTH LINE OF SAID HOMESTEAD ENTRY SURVEY;

THENCE SOUTH 55 DEGREES 03 MINUTES 46 SECONDS EAST, ALONG SAID SOUTH LINE, A DISTANCE OF 331.16 FEET TO THE POINT OF BEGINNING.

AN AREA CONTAINING 292102 SQUARE FEET OR 6.705 ACRES, MORE OR LESS.



TOWN OF PAYSON - WATER TREATMENT SITE
TOWNSHIP 11 NORTH, RANGE 10 EAST
GILA & SALT RIVER MERIDIAN



SUNRISE
ENGINEERING
2152 SOUTH VINEYARD, SUITE 123
MESA, ARIZONA 85210
TEL 480.768.8600 • FAX 480.768.8609
www.sunrise-eng.com

EXHIBIT 4.22

Estimated Payson Water Treatment Plant Construction Costs

Exhibit 4:22 Estimated Budget of Payson Water Treatment Plant Construction Costs



Engineer's Opinion of Probable Cost

Project: C.C. Cragin Water Improvements

Owner: Town of Payson

Date: 26-Sep-12

No.	Item Description	Amount
	18-inch Raw Water Pipeline & Tailrace Connection	\$15,801,015
	Membrane Treatment Facility & Treated Water Tank	\$10,325,400
	Miscellaneous Costs	\$2,115,000
	ESTIMATED PROJECT TOTAL	\$28,241,415

EXHIBIT 7.2

Town's Current Schedule for the Design, Planning and Construction
of the Payson Project and the Payson Water Treatment Plant

TOWN OF PAYSON CC CRAGIN PIPELINE & TREATMENT PROJECT COMPREHENSIVE PROJECT SCHEDULE

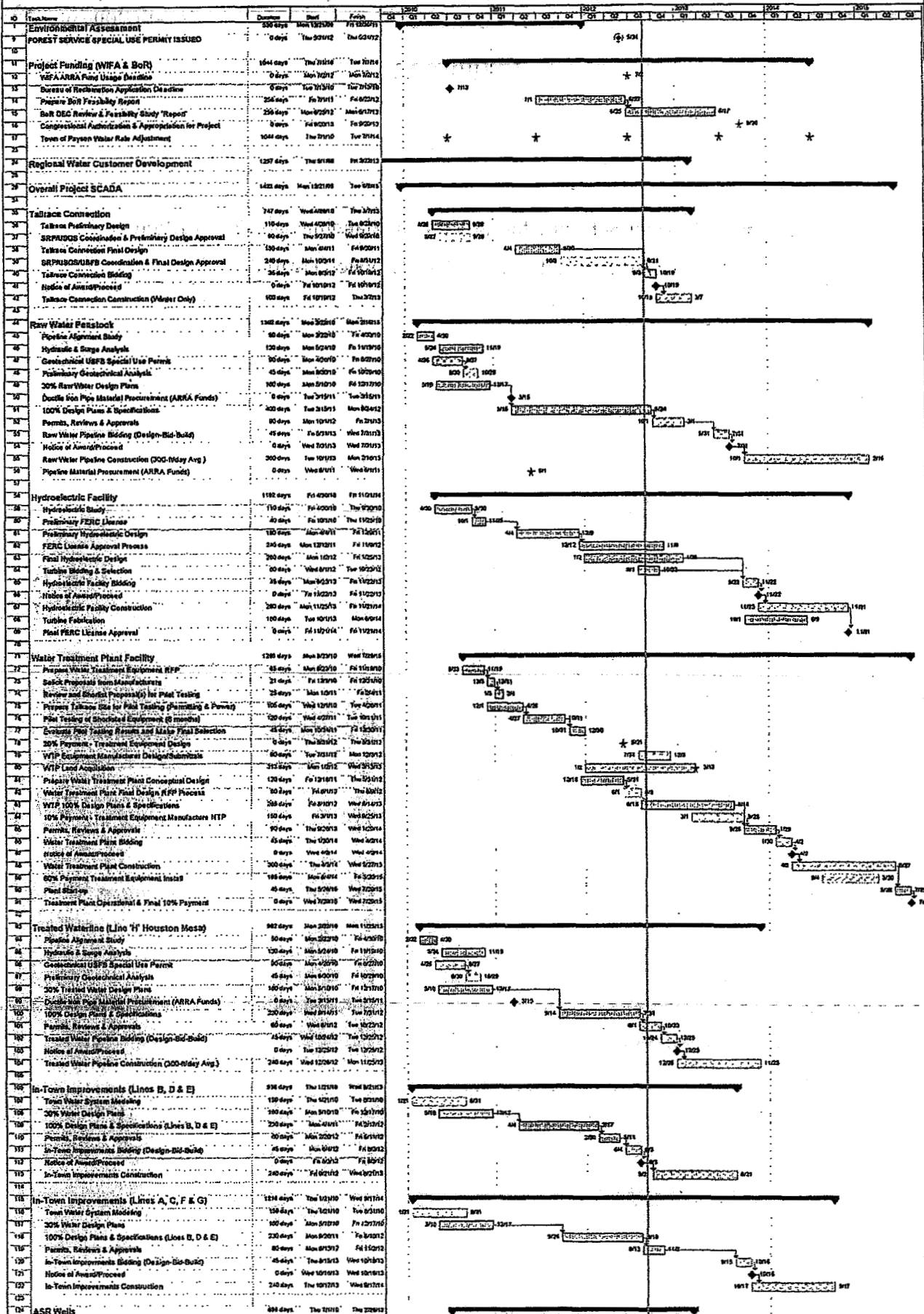
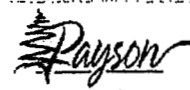


EXHIBIT 9.7

Letter of Authorization Form

Exhibit 9.7

Letter of Authorization Form

Salt River Project

c/o Authorized Representative

PO Box 52025

Phoenix, AZ 85072-2025

Reference: SRP/Payson Water Rights Transfer and Water Delivery and Use Agreement and
SRP/Payson Water Company Water Rights Transfer and Water Delivery Agreement

This letter will serve as notice that Payson Water Company (PWC) unconditionally and irrevocably authorizes the Town of Payson (TOP) to obtain from the Salt River Project (SRP) information regarding the SRP account for PWC and the balance of the SRP account for PWC, and unconditionally and irrevocably authorizes SRP to release said PWC account information to TOP.

Sincerely,

Payson Water Company Authorized Representative